

Service Date: June 29, 1976

DEPARTMENT OF PUBLIC SERVICE REGULATION

MONTANA PUBLIC SERVICE COMMISSION

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IN THE MATTER OF the January 10, 1975,)	UTILITY DIVISION
Application of the FRENCHTOWN)	
TELEPHONE COMMITTEE for Toll Free)	DOCKET NO. 6283
Extended Area Telephone Service.)	ORDER NO. 4265
)	
)	

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FINDINGS OF FACT, CONCLUSIONS
AND ORDER

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APPEARANCES:

For the Applicant Frenchtown Telephone Committee:

Geoffrey L. Brazier
Montana Consumer Counsel
330 Fuller Avenue
Helena, Montana 59601

For the Respondent Telephone Company:

George T. Bennett
Hughes, Bennett & Cain
406 Fuller Avenue
P.O. Box 1166
Helena, Montana 59601

For the Commission:

Russell L. Doty, Jr.
Montana Public Service Commission
1227 – 11th Avenue
Helena, Montana 59601

BY THE COMMISSION:

This proceeding was initiated by the filing of a Petition by the FRENCHTOWN TOLL-FREE TELEPHONE COMMITTEE, asking that the Commission enter an Order requiring The Mountain States Telephone and Telegraph Company, a Colorado corporation, to provide non-optional, unlimited two-way flat rate calling service between the Frenchtown telephone exchange and the Missoula telephone exchange at no increase in rates, such service being commonly referred to as "EAS" (Extended Area Service).

A pre-hearing conference was had before the Public Service Commission at its offices in Helena, Montana on the 14th day of April, 1975. The Frenchtown Telephone committee having appeared by and through its counsel, Geoffrey L. Brazier, Montana Consumer counsel, and The Mountain States Telephone and Telegraph Company, a Colorado corporation, having appeared through its counsel, George T. Bennett of Helena, Montana, a procedural stipulation was made and entered and appears in the records of this Commission.

The Petition was set for hearing and the hearing commenced in the Frenchtown Fire Hall, Frenchtown, Montana, commencing at 1:30 P.M. on the 20th day of May, 1975. In attendance throughout the entire hearing were Chairman Gordon E. Bollinger, Commissioner Thomas G. Monahan, Commissioner P.J. Gilfeather, Commissioner James R. Shea and Commissioner George Turman.

That notice of hearing was given by mailing copies of formal notice to five radio and two television stations in western Montana, and to one newspaper of general circulation in the State of Montana as well as the area affected. No objection was interposed in these proceedings regarding the scope or substance of notice.

From the evidence contained in the record, the written arguments and briefs, and the file in this proceeding, the commission makes the following Findings of Fact, Conclusions, and Order based thereon:

FINDINGS OF FACT

(1) The Mountain States Telephone and Telegraph Company, a Colorado corporation, and hereinafter referred to as the "Telephone Company", is a public utility within the meaning of Montana law and a corporation providing telephone services and facilities throughout the State of Montana, and as such is under the jurisdiction of this Commission.

(2) The Frenchtown Telephone Committee, hereinafter referred to as "Committee", was formed for the purpose of attempting to obtain so-called EAS service to Missoula for the Frenchtown telephone exchange.

(3) The petition of the Committee requests this Commission to enter an Order changing the tariff of the Telephone Company to allow so-called "EAS" service to the Frenchtown exchange and with reference to the Missoula exchange. This change in tariff rates would allow unlimited toll free calling between the two exchanges by any subscriber. Thus, any subscriber in either the Frenchtown or Missoula exchange could call any subscriber within both exchanges at any time and without limitation on the length of the call, toll free and upon payment of the basic exchange service rates. The Frenchtown exchange customers would be assessed the same rates as customers with similar service are assessed in the Missoula exchange.

(4) The toll rates for long distance charges set by the tariff on file with this Commission and charged by the Telephone company are 25 cents for the first three minutes of the telephone call and 8 cents per minute for overtime in excess of the initial three minutes period. A direct distance dialing from Frenchtown to Missoula connects with a CAMA operator who asks the number called from Operator-assist calls are handled between Frenchtown and Missoula in the normal manner with the operator completing the call.

(5) In August of 1974, the Telephone Company petitioned this Commission to enter its Order requiring that no further requests for Extended Area Service from the Telephone Company be considered by this Commission until the Telephone Company had made and submitted to the Commission a statewide study of the effect thereof on the Telephone Company's capital requirements, expenses and revenues.

This application was based on the contention by the Telephone Company that its experience in granting Extended Area Service between exchanges or between communities in the State of Montana had resulted in unexpected stimulation factors, unanticipated major capital expenditures, only minor expense savings, and significant net revenue loss. The Telephone Company did not request that the application of the Frenchtown Committee be included with that order.

(6) On September 5, 1974, this Commission made entered its Order granting the request of the Telephone Company for a moratorium upon consideration of application for Extended Area Service, and granted the Telephone Company to the 1st day of September, 1975,

to submit to this Commission a study of the statewide effect and impact upon its capital requirements, expenses and revenues which could result from further granting of EAS or extended area applications.

(7) The Telephone Company has offered to the Frenchtown exchange subscribers, as an alternative to EAS, a measured type of telephone service between exchanges known as "Metropolitan Preferred Area Calling" or "METROPAC". This would be offered to the Frenchtown exchange on an experimental basis only and under the supervision of this Commission. Mountain Bell cannot predict what additional expense would be incurred or how revenue would be affected, but since this is a measured type of service, Mountain Bell anticipates that it can be self-sustaining within the present rate structure. METROPAC is an optional one-way calling service intended to provide high and medium calling customers with a calling scope up to 28 miles. As offered, METROPAC would allow calls within a twenty-eight mile radius of Frenchtown for an initial period of two hours for \$2.60. The overtime rate would be 5 cent per minute. Thus, measured METROPAC is a combination of flat and measured service and is optional to those subscribers who wish to have the service. This offering had been previously considered by the Committee and was rejected by them.

(8) That during the pendency of this matter the parties hereto, acting by and through their respective counsel, have worked with the staff of the Commission in an attempt to arrive at a tariff arrangement which will bring this matter to a conclusion. That the terms of the following Order of this Commission have been considered by the parties and they have, by their subjoinder herein, consented and agreed to the herein contained Order of this Commission.

CONCLUSIONS OF THE COMMISSION

1. That to initiate EAS as requested, the Telephone Company would have to make substantial investment in plant and equipment and that such service may be revenue deficient. However, the Frenchtown committee contends that investment and cost should not be controlling factors since there are a number of other areas in Montana receiving EAS service from the Telephone company under circumstances such that the revenues therefrom are also deficient, thus resulting in discrimination against Frenchtown.

2. There are presently some 23 EAS arrangements in Montana, which were implemented prior to 1969 and existing in the Telephone Company's system.

3. That in addition to the application of the Frenchtown committee for EAS, the Telephone company has received request from some 17 other areas throughout its system in Montana to furnish EAS in such areas.

4. That the Telephone Company provided EAS service prior to 1969 on the belief that flat rate EAS charges would be feasible because of the elimination of the toll operators and the accounting, billing and other expenses associated with the manual handling of calls and the ticketing and billings thereof.

5. That the evidence introduced in this hearing (including the Company's answers to the Committee's interrogatories) indicates that the experience of the Telephone Company with respect to areas or communities in Montana to which it has heretofore granted EAS is that (a) major capital expenditures were required in each case, (b) only minor expense savings were realized, (c) the change in the service arrangement resulted in a net revenue loss, and (d) that removal of toll charges resulted in a greatly increased telephone usage between stations (such rate of increase being referred to as "stimulation factor").

6. That in view of the large number of pending requests for EAS from areas scattered throughout the State of Montana, and the absence of accurate information as to the impact of providing EAS on the Telephone Company's capital requirements, expenses and revenues, and as to the extent of subsidization which may be required if the Telephone Company subscribers who would not benefit from EAS must bear the revenue deficiencies thereof, this Commission, by its Order of September 5, 1974, provided that no further consideration would be given to application for EAS until the Telephone Company could conduct a comprehensive statewide study of the impact and effect on the Telephone Company's statewide capital requirements, expenses, and revenues for the pending EAS service area requests that are on file. The application of the Frenchtown Committee was expressly excluded from said Order of September 5, 1974.

7. That the Telephone Company has completed such study with respect to the pending EAS requests on file with

8. The Commission has the legal authority to order experimentation in rate levels where there is a legitimate purpose behind its order. The experiment must be of limited duration, and the data developed must be subjected to on-going analysis and supervised by the Commission.

9. The present request for EAS affords the Commission and the Telephone Company an opportunity to study and analyze the elasticity of consumer demand over a range of decreasing toll charges and the revenue impact of various rate structures.

10. Such an experiment would, while affording benefits to Frenchtown subscribers, result in a body of information which would be extremely valuable to the Commission in making regulatory developed would be of benefit to Mountain Bell's management in Montana and other states.

ORDER

(1) Mountain Bell is ordered to file revised tariff schedules reflecting the following toll decreases between the Missoula-Frenchtown exchanges, for only customer dialed calls, which shall remain in effect for the specified times:

PLAN I – Effective July 1, 1976 to January 1, 1977

1 Minute Initial Period – discounts evening, night, weekend

	1st Min.	Ea. Add'l	Total 3 Min. Call
SA – 5P	\$.15	\$.05	\$.25
5P – 11P	.10	.05	.20
11P – 8A & Wknd.	.05	.05	.15

PLAN II - Effective January 1, 1997 to July 1, 1977

1 Minute Application – same rate all days/all hours

	1st Min.	Ea. Add'l	Total 3 Min. Call
All Days/All Hours	\$.10	\$.05	\$.20

PLAN III - Effective July 1, 1997 to January 1, 1978

1 Minute Application – same rate all days/all hours

	1st Min.	Ea. Add'l	Total 3 Min. Call
All Days/All Hours	\$.05	\$.05	\$.15

PLAN IV – Effective January 1, 1978 to July 1, 1978

Per Minute Application - relate rate to "bulk" minutes of use, i.e.

0 – 30 minutes of use	\$.02/minute
30 – 60 minutes of use	\$.03/minute
60 and over minutes of use	\$.05/minute

In addition, Mountain Bell is ordered to file on June 1, 1978, effective on July 1, 1978, a tariff for Extended Area Service Missoula-Frenchtown to become effective on that date.

(2) Throughout the duration of this experiment, the Telephone Company shall furnish the Commission detailed information on a monthly basis showing the following:

- (a) the volume of calls originating in each exchange which are made to the other exchange;
- (b) the same information for the corresponding month in the previous year;
- (c) revenues realized in the form of tolls for inter-exchange calls; and
- (d) the same information for the corresponding month in the previous year.

(3) Within ninety (90) days following the initiation of the experiment the Commission will set for public hearing the EAS study completed by the Telephone Company. This Commission's Order of September 5, 1974 shall remain in effect until such time as an order is issued in the above proceeding.

By Order of the Public Service Commission dated this 29th day of June, 1976

Gordon E. Bollinger, Chairman

P.J. Gilfeather, Commissioner

Thomas G. Monahan, Commissioner

James R. Shea, Commissioner

George Turman, Commissioner

ATTEST:

Gail S. Behan, Secretary

(SEAL OF THE COMMISSION)

SUBJOINDER AND CONSENT AND AGREEMENT TO
COMMISSION ORDER BY PARTIES TO MATTER

The Parties hereto consent and agree to the entry by the commission of the above and foregoing FINDINGS OF FACT, CONCLUSIONS AND ORDER.

Done and Dated the 29th day of June, 1976.

MOUNTAIN STATES TELEPHONE AND
TELEGRAPH COMPANY, OF Colorado
corporation

FRENCHTOWN TELEPHONE COMMITTEE

MONTANA CONSUMER COUNSEL